

107TH CONGRESS  
2D SESSION

# H. R. 3774

To amend the Internal Revenue Code of 1986 to provide a credit to promote homeownership among low-income individuals.

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## IN THE HOUSE OF REPRESENTATIVES

FEBRUARY 14, 2002

Mr. JEFFERSON (for himself and Mr. RANGEL) introduced the following bill;  
which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to provide a credit to promote homeownership among low-income individuals.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE; FINDINGS; PURPOSES.**

4       (a) SHORT TITLE.—This Act may be cited as the  
5       “Home at Last Tax Credit Act of 2002”.

6       (b) FINDINGS.—Congress finds the following:

7               (1) Homeownership is of primary importance in  
8       building wealth in low-income families.

9               (2) 67 percent of the wealth that is owned by  
10       nonelderly low-income households consists of the eq-

1 uity in their residences, and the median wealth of  
2 such non-elderly low-income households is 12 times  
3 greater than the median wealth of nonelderly renters  
4 with the same level of income.

5 (3) The national homeownership rate hit a  
6 record 68.1 percent in September 2001, but the  
7 homeownership rates for lower-income households  
8 are considerably less. While 82.2 percent of house-  
9 holds earning 100 percent or more of the national  
10 median income now own homes, only 52.6 percent of  
11 households earning less than the national median  
12 are homeowners. Homeownership rates among  
13 households earning less than 80 percent of the na-  
14 tional median are substantially less.

15 (4) According to the Bureau of the Census, in  
16 1993, 88 percent of all renters and 93 percent of  
17 renters earning less than \$20,000 could not afford  
18 a house selling for half of the regional median house  
19 price.

20 (5) There is a 23 percentage point difference in  
21 homeownership rates between central cities and sub-  
22 urban cities, which is largely the result of the con-  
23 centration of low-income households in central cities.  
24 This concentration of low-income housing in central  
25 cities makes these areas uniquely susceptible to the

1 negative effects of recession, such as job loss, which  
2 has historically led to a concentration of foreclosures  
3 in central city neighborhoods. Such concentrations of  
4 foreclosures depress area housing value and deplete  
5 the equity wealth of surrounding homeowners.

6 (6) The cost of the largest Federal tax incen-  
7 tives for homeownership, the mortgage interest de-  
8 duction and the real estate tax deduction, is equal  
9 to approximately twice the amount of Federal ex-  
10 penditures for direct Federal housing assistance  
11 which benefits low-income households.

12 (7) The mortgage interest deduction and the  
13 real estate tax deduction have little value to low-in-  
14 come households because the itemized tax deductions  
15 of low-income households generally do not exceed the  
16 standard deduction.

17 (8) Over 90 percent of the total benefits of the  
18 mortgage interest deduction accrue to home buyers  
19 with incomes greater than \$40,000.

20 (9) Current provisions in the Internal Revenue  
21 Code of 1986 to promote homeownership among low-  
22 income households, such as the mortgage revenue  
23 bond program, the mortgage credit certificate pro-  
24 gram, and the low-income housing credit, fail to si-  
25 multaneously attack the twin constraints of lack of

1 wealth and low income that prevent many low-in-  
2 come households from becoming homeowners.

3 (c) PURPOSES.—The purposes of this Act are—

4 (1) to establish a decentralized, market-driven  
5 approach to increasing homeownership among house-  
6 holds earning less than 80 percent of household me-  
7 dian income; and to increase mixed-income home  
8 ownership in new or newly renovated households lo-  
9 cated in census tracts targeted for investment and  
10 redevelopment by the United States Department of  
11 Housing and Urban Development (HUD), typically  
12 referred to as Difficult to Develop Areas (DDAs);

13 (2) to enable these low-income households to  
14 overcome income constraints that frequently prevent  
15 them from becoming homeowners and building  
16 wealth through home equity; and

17 (3) to reduce the disparities in homeownership  
18 between low-income households and higher-income  
19 households and between central cities and suburban  
20 cities, and attract investment into the Nation's cen-  
21 tral cities.

22 **SEC. 2. HOME AT LAST TAX CREDIT.**

23 (a) IN GENERAL.—Subpart D of part IV of sub-  
24 chapter A of chapter 1 of the Internal Revenue Code of

1 1986 (relating to business related credits) is amended by  
2 adding at the end the following:

3 **“SEC. 45G. HOME AT LAST TAX CREDIT.**

4 “(a) ALLOWANCE OF CREDIT.—

5 “(1) IN GENERAL.—For purposes of section 38,  
6 the amount of the home at last tax credit deter-  
7 mined under this section for any taxable year in the  
8 credit period shall be an amount equal to the appli-  
9 cable percentage of the home at last tax credit  
10 amount allocated such taxpayer by a State housing  
11 finance agency in the credit allocation year under  
12 subsection (b).

13 “(2) APPLICABLE PERCENTAGE.—For purposes  
14 of this section, the Secretary shall prescribe the ap-  
15 plicable percentage for any year in which the tax-  
16 payer is a qualified lender. Such percentage with re-  
17 spect to any financial reporting period in the credit  
18 period with respect to such taxpayer shall be per-  
19 centages which will yield over such period amounts  
20 of credit under paragraph (1) which have a present  
21 value equal to 100 percent of the home at last tax  
22 credit amount allocated such taxpayer under sub-  
23 section (b).

24 “(3) METHOD OF DISCOUNTING.—For purposes  
25 of paragraph (2), present value shall be determined

1 in the same manner as the low-income housing tax  
 2 credit under section 42(b)(2)(C), except that clause  
 3 (i) thereof shall be applied as if it read ‘as of the  
 4 last day of the credit period (as defined in section  
 5 45G(f)(1))’.

6 “(b) ALLOCATION OF HOME AT LAST TAX CREDIT  
 7 AMOUNTS.—

8 “(1) AMOUNT OF CREDIT.—Each qualified  
 9 State shall receive a home at last tax credit dollar  
 10 amount for each calendar year in an amount equal  
 11 to the sum of—

12 “(A) an amount equal to—

13 “(i) 40 cents multiplied by the State  
 14 population, multiplied by

15 “(ii) 10, plus

16 “(B) the unused home at last tax credit  
 17 dollar amount (if any) of such State for the  
 18 preceding calendar year or years.

19 “(2) QUALIFIED STATE.—For purposes of this  
 20 section—

21 “(A) IN GENERAL.—The term ‘qualified  
 22 State’ means a State that has 1 or more hous-  
 23 ing credit agencies with an allocation plan that  
 24 complies with the general provisions set forth in  
 25 subparagraph (B). If there is more than 1

1           housing credit agency of a State, all such agen-  
2           cies shall be treated as a single agency.

3                   “(B) ALLOCATION PLAN.—For purposes of  
4           this paragraph, the term ‘allocation plan’ means  
5           a written plan, submitted to the Secretary by  
6           October 15, which includes—

7                           “(i) selection criteria for the allocation  
8                           of credits to qualified lenders—

9                                   “(I) based on a process in which  
10                           lenders submit bids for the value of  
11                           the credit, and

12                                   “(II) which gives priority to  
13                           qualified lenders who will originate  
14                           qualified home at last loans during  
15                           the calendar year for which the tax  
16                           credits are allocated for use,

17                                   “(ii) an assurance that the State will  
18                           not allocate in excess of 10 percent of the  
19                           home at last tax credit amount for the cal-  
20                           endar year for qualified home at last loans  
21                           which are neighborhood revitalization  
22                           project loans,

23                                   “(iii) an assurance that the State will  
24                           not allocate in excess of 15 percent of the

1 home at last tax credit amount for the cal-  
2 endar year to one qualified lender,

3 “(iv) an assurance that the State will  
4 not allow more than 25 percent of the  
5 home at last tax credit amount for the cal-  
6 endar year to be used to subsidize home  
7 purchases or new home construction for  
8 qualified borrowers earning in excess of  
9 120 percent of household median income,

10 “(v) a procedure that the agency (or  
11 an agent or other private contractor of  
12 such agency) will follow in monitoring for  
13 noncompliance with the provisions of this  
14 section and in notifying the Internal Rev-  
15 enue Service of such noncompliance with  
16 respect to which such agency becomes  
17 aware, and

18 “(vi) such other assurances as the  
19 Secretary may require.

20 “(3) QUALIFIED LENDER.—For purposes of  
21 this section, the term ‘qualified lender’ means a  
22 lender which—

23 “(A) is an insured depository institution  
24 (as defined in section 3 of the Federal Deposit  
25 Insurance Act), an insured credit union (as de-



1           fined in section 101(7) of the Federal Credit  
2           Union Act), community development financial  
3           institution (as defined in section 103 of the  
4           Community Development Banking and Finan-  
5           cial Institutions Act of 1994 (12 U.S.C. 4702)),  
6           or nonprofit community development corpora-  
7           tion (as defined in section 613 of the Commu-  
8           nity Economic Development Act of 1981 (42  
9           U.S.C. 9802)), and

10           “(B) during the 1-year period beginning on  
11           the date of the credit allocation, uses its own  
12           funds to buy down the interest rate charged of  
13           a qualified borrower such that the aggregate  
14           amount of funds applied as prepaid points is  
15           not less than the amount of the bid of such  
16           lender for such credit allocation.

17           “(4) CARRYOVER OF CREDIT.—A home at last  
18           tax credit amount received by a State for any cal-  
19           endar year and not allocated in such year shall re-  
20           main available to be allocated in the succeeding cal-  
21           endar year.

22           “(5) POPULATION.—For purposes of this sec-  
23           tion, population shall be determined in accordance  
24           with section 146(j).

25           “(6) COST-OF-LIVING ADJUSTMENT.—

1           “(A) IN GENERAL.—In the case of a cal-  
2           endar year after 2002, the 40 cent amount con-  
3           tained in paragraph (1)(A)(i) shall be increased  
4           by an amount equal to—

5                   “(i) such amount, multiplied by

6                   “(ii) the cost-of-living adjustment de-  
7                   termined under section 1(f)(3) for such  
8                   calendar year by substituting ‘calendar  
9                   year 2001’ for ‘calendar year 1992’ in sub-  
10                  paragraph (B) thereof.

11           “(B) ROUNDING.—If any amount as ad-  
12           justed under subparagraph (A) is not a multiple  
13           of 5 cents, such amount shall be rounded to the  
14           next lowest multiple of 5 cents.

15           “(c) QUALIFIED HOME AT LAST LOAN DEFINED.—  
16           For purposes of this section, the term ‘qualified home at  
17           last loan’ means a first mortgage single-family residential  
18           loan funded by a qualified lender to finance the purchase  
19           or construction or purchase and construction of a resi-  
20           dence by a qualified borrower which has a lower-than-mar-  
21           ket interest rate as a result of a lender rate ‘buydown’,  
22           but only if—

23                   “(1) the requirements of subsections (d) and (e)  
24           are met,

1           “(2) subject to paragraph (6), the proceeds  
2           from such loan are applied exclusively—

3                   “(A) to acquire such residence, or

4                   “(B) to acquire and substantially improve  
5           such residence in connection with a neighbor-  
6           hood revitalization project, or

7                   “(C) to build a residence,

8           “(3) the principal amount of the loan is not  
9           greater than 105 percent of the purchase price of  
10          the residence securing the loan,

11          “(4) the loan results in a monthly housing ex-  
12          pense-to-income ratio with respect to such residence  
13          of not more than 33 percent at the time of closing,

14          “(5) the total of prepaid points used to buy  
15          down the effective interest rate is not more than—

16                   “(A) \$10,000 for qualified borrowers earn-  
17                  ing greater than 70 percent of area household  
18                  median income,

19                   “(B) \$20,000 for qualified borrowers earn-  
20                  ing 70 percent or less of area household median  
21                  income,

22                   “(C) in the case of a neighborhood revital-  
23                  ization project loan, subparagraph (A) shall be  
24                  applied by substituting ‘\$15,000’ for ‘\$10,000’,

1 and subparagraph (B) shall be applied by sub-  
2 stituting ‘\$25,000’ for ‘\$20,000’, or

3 “(D) in the case of a below-market-rate  
4 loan offered by a State housing finance agency  
5 in conjunction with a mortgage revenue bond  
6 program, subparagraph (A) shall be applied by  
7 substituting ‘\$5,000’ for ‘\$10,000’, and sub-  
8 paragraph (B) shall be applied by substituting  
9 ‘\$10,000’ for ‘\$20,000’,

10 “(6) the loan has a term of 30 years,

11 “(7) the loan has a fixed interest rate and fully  
12 amortizes over the term of the mortgage,

13 “(8) the loan is a conventional single-family  
14 first mortgage, a government-guaranteed single-fam-  
15 ily first mortgage, or a single-family first mortgage  
16 originated under a program which is administered  
17 by the State and which is in existence on the date  
18 of enactment of this section, and

19 “(9) the loan is in an amount not greater than  
20 the maximum principal obligation amount eligible  
21 for insurance under section 203(b)(2) of the Na-  
22 tional Housing Act (12 U.S.C. 1709)(b)(2)) for a 1-  
23 family dwelling.

24 “(d) MORTGAGOR.—

1           “(1) IN GENERAL.—A loan meets the require-  
2           ments of this subsection if it is made to a  
3           mortgagor—

4                   “(A) whose household income for the year  
5                   in which the mortgagor applies for the loan is  
6                   80 percent or less of the area median gross  
7                   household income for the area in which the resi-  
8                   dence which secures the mortgage is located, or

9                   “(B) who is buying a home or duplex for  
10                  owner-occupancy in a census tract targeted for  
11                  reinvestment and redevelopment by the Depart-  
12                  ment of Housing and Urban Development, re-  
13                  gardless of household income,

14                  “(C) for whom the monthly housing ex-  
15                  pense-to-income ratio with respect to a market-  
16                  rate single-family mortgage would exceed 28  
17                  percent,

18                  “(D) but for whom a qualified home at last  
19                  loan would not result in a monthly housing ex-  
20                  pense-to-income ratio greater than 33 percent  
21                  at the time of closing,

22                  “(E) who has not owned a home within the  
23                  three years prior to the date of applying for a  
24                  qualified home at last loan, and

1           “(F) who attends pre-purchase home-  
2           ownership counseling provided by a qualified  
3           nonprofit organization consistent with stand-  
4           ards established by the American Homeowner-  
5           ship Education and Counseling Institute  
6           (AHECI).

7           “(2) DETERMINATION OF HOUSEHOLD IN-  
8           COME.—For purposes of this subsection and sub-  
9           section (h), the household income of a mortgagor  
10          and area median gross income shall be determined  
11          in accordance with section 143(f)(2).

12          “(e) RESIDENCE REQUIREMENTS.—A loan meets the  
13          requirements of this subsection if it is secured by a resi-  
14          dence that is—

15               “(1) a single-family residence which is the prin-  
16               cipal residence (within the meaning of section 121)  
17               of the mortgagor, or can reasonably be expected to  
18               become the principal residence of the mortgagor  
19               within a reasonable time after the financing is pro-  
20               vided,

21               “(2) purchased by the mortgagor with a down  
22               payment in an amount not less than the lesser of—

23                       “(A) 1 percent of the purchase price, or

24                       “(B) \$1,000, and

1           “(3) in the case of a mortgagor with a house-  
2           hold income greater than 50 percent of the area me-  
3           dian gross income, as determined under subsection  
4           (d)(1)(A), not financed in connection with a quali-  
5           fied mortgage issued under section 143. For pur-  
6           poses of paragraph (1), a manufactured home shall  
7           not be treated as a single-family residence unless  
8           such home meets the requirements of section 604(h)  
9           of the Housing and Community Development Act of  
10          1974.

11          “(f) DEFINITION AND SPECIAL RULES.—

12                 “(1) CREDIT PERIOD DEFINED.—For purposes  
13                 of this section, the term ‘credit period’ means the  
14                 taxable year in which a home at last tax credit  
15                 amount is allocated to the taxpayer.

16                 “(2) DISPOSITION OF HOME AT LAST LOANS.—  
17                 If a qualified home at last loan is disposed of in the  
18                 12 months following its closing date as a result of  
19                 a borrower default, the taxpayer forfeits the credit  
20                 making it available for reallocation by the State.

21                 “(3) PREPAYMENT OF HOME AT LAST LOANS.—  
22                 If, during the 12 months following its closing date,  
23                 a qualified home at last loan is fully repaid by the  
24                 borrower, the lender may claim only a portion of the  
25                 tax credit with the remainder being forfeited and

1       available for reallocation. The portion of tax credit  
 2       that can be claimed is determined by dividing the  
 3       number of days that have passed between the closing  
 4       date and the date of payoff by 365 and multiplying  
 5       that number by the value of the tax credit allocated  
 6       to the lender for the purposes of originating the pre-  
 7       paid home at last loan.

8       “(g) OTHER DEFINITIONS.—For purposes of this  
 9       section—

10               “(1)       NEIGHBORHOOD       REVITALIZATION  
 11       PROJECT LOAN.—

12                       “(A) IN GENERAL.—The term ‘neighbor-  
 13       hood revitalization project loan’ means a loan  
 14       secured by a first mortgage on a one- to four-  
 15       family residence, the proceeds of which are used  
 16       to substantially improve such residence in con-  
 17       nection with a neighborhood revitalization  
 18       project.

19                       “(B)   NEIGHBORHOOD   REVITALIZATION  
 20       PROJECT.—The term ‘neighborhood revitaliza-  
 21       tion project’ means a project of sufficient size  
 22       and scope to alleviate physical deterioration and  
 23       stimulate investment in—

24                               “(i) a geographic location within the  
 25       jurisdiction of a unit of local government



1 (but not the entire jurisdiction) designated  
2 in comprehensive plans, ordinances, or  
3 other documents as a neighborhood, vil-  
4 lage, or similar geographic designation, or  
5 “(ii) the entire jurisdiction of a unit  
6 of local government if the population of  
7 such jurisdiction is not in excess of 25,000.

8 “(2) STATE.—The term ‘State’ includes a pos-  
9 session of the United States.

10 “(3) STATE HOUSING FINANCE AGENCY.—The  
11 term ‘State housing finance agency’ means the pub-  
12 lic agency, authority, corporation, or other instru-  
13 mentality of a State that has the authority to pro-  
14 vide residential mortgage loan financing throughout  
15 the State.

16 “(h) CERTIFICATION AND OTHER REPORTS TO THE  
17 SECRETARY.—

18 “(1) CERTIFICATION WITH RESPECT TO STATE  
19 ALLOCATION OF HOME AT LAST TAX CREDITS.—The  
20 Secretary may, upon a finding of noncompliance, re-  
21 voke the certification of a qualified State and revoke  
22 any qualified home at last tax credit amounts allo-  
23 cated to such State or allocated by such State to a  
24 qualified lender.

1           “(2) ANNUAL REPORT FROM HOUSING FINANCE  
2           AGENCIES.—Each State housing finance agency  
3           which allocates any home at last tax credit amount  
4           to any qualified lender for any calendar year shall  
5           make available to the public no later than November  
6           1 of the following year) an annual report  
7           specifying—

8                   “(A) the home at last tax credit amount  
9                   allocated to each qualified lender for such year,  
10                  and

11                  “(B) with respect to each qualified  
12                  lender—

13                          “(i) the principal amount of each  
14                          qualified home at last loan made by such  
15                          lender in such year,

16                          “(ii) the number of qualified home at  
17                          last loans made by such lender in such  
18                          year,

19                          “(iii) the interest rate prior to  
20                          buydown and the effective interest rate  
21                          after buydown of each qualified home at  
22                          last loan,

23                          “(iv) the status of each qualified  
24                          homeownership loan defined as ‘per-  
25                          forming’, ‘delinquent less than 60 days’,

1                   ‘delinquent 60 days or more’, or ‘in fore-  
2                   closure’,

3                   “(v) the household income as a per-  
4                   cent of area median household income of  
5                   each qualified borrower,

6                   “(vi) any other information the Sec-  
7                   retary may deem essential to assuring fair  
8                   mortgage pricing and that the benefit of  
9                   the tax credit is being passed through the  
10                  taxpayer to the qualified borrower in the  
11                  form of a lower interest rate, and

12                  “(vii) the penalty under section  
13                  6652(j) shall apply to any failure to pro-  
14                  vide the report required by this paragraph  
15                  on the date prescribed herein.

16           “(i) REGULATIONS.—The Secretary may prescribe  
17 such regulations as may be necessary or appropriate to  
18 carry out the purposes of this section.”.

19           (b) LIMITATION ON CARRYBACK OF UNUSED CRED-  
20 IT.—Subsection (d) of section 39 of the Internal Revenue  
21 Code of 1986 (relating to carryback and carryforward of  
22 unused credits) is amended by adding at the end the fol-  
23 lowing:

24                   “(11) NO CARRYBACK OF HOME AT LAST TAX  
25                  CREDITS BEFORE EFFECTIVE DATE.—No portion of

1 the unused business credit for any taxable year  
 2 which is attributable to the home at last tax credit  
 3 determined under section 45G may be carried back  
 4 to a taxable year ending before the date of the en-  
 5 actment of section 45G.”

6 (c) CONFORMING AMENDMENTS.—

7 (1) Section 38(b) of the Internal Revenue Code  
 8 of 1986 is amended—

9 (A) by striking “plus” at the end of para-  
 10 graph (14),

11 (B) by striking the period at the end of  
 12 paragraph (15) and inserting “, plus”, and

13 (C) by adding at the end the following:

14 “(16) the home at last tax credit determined  
 15 under section 45G.”

16 (2) The table of sections for subpart D of part  
 17 IV of subchapter A of chapter 1 of such Code is  
 18 amended by adding at the end the following:

“Sec. 45G. Home at last tax credit.”

19 (d) EFFECTIVE DATE.—The amendments made by  
 20 this section shall apply to calendar years after 2001.

○